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SUBJECT: PROSECUTORS FILE CORRUPTION CASE AGAINST
SUHARTO-LINKED FOUNDATION

REF: 06 JAKARTA 6332

¶1. (SBU) Summary: The Indonesian Attorney General has reopened the legal battle to recover former Indonesian president Suharto's allegedly ill-gotten wealth with a civil lawsuit against the Suharto-linked Supersemar Foundation. The case, which seeks the recovery of \$1.66 billion plus property, differs from the now defunct criminal case against Suharto by targeting the foundation rather than Suharto personally. The move comes within weeks of a cabinet reshuffle in which President Yudhoyono appointed a new Attorney General, among others. Given past failures, most Indonesians are skeptical that this case will succeed. End Summary.

¶2. (U) On July 9, the Indonesian Attorney General's Office (AGO) filed a civil lawsuit in South Jakarta District Court against former President Suharto and the Suharto-linked Supersemar Foundation for alleged funding discrepancies resulting in \$420 million in losses to the state. Prosecutors asserted that half of the foundation's net profit should have been allocated for scholarships but instead was diverted to Suharto's family and cronies, in particular to a group of companies run by Bob Hasan. The AGO is demanding the return of \$1.66 billion, along with properties belonging to the foundation, to the state.

¶3. (U) The move comes only weeks after President Yudhoyono appointed a new Attorney General and Minister for Justice and Human Rights. The AG, Hendarman Supandji, made public statements soon after his appointment indicating an interest in reexamining the case against Suharto. His predecessor, after considerable effort in the criminal case, had closed it in May 2006 on the grounds Suharto was too ill to stand trial (reftel).

¶4. (U) The new case, like the one before it, targets Suharto's allegedly illegitimate wealth, most of which purportedly resided in his various foundations, but is a civil rather than a criminal suit and is directed at the foundation rather than Suharto personally. As noted reftel, however, the Suharto foundations have been managed by a succession of state agencies since the AGO first opened its investigation of them in 2000. They have not necessarily been well managed and reportedly have significant liabilities.

¶5. (U) According to observers, the case faces some potential evidentiary obstacles. The evidence consists largely of documents the AGO confiscated from the foundation in 2002,

which were returned to the foundation after the case was dropped (though the law requires their preservation), leaving prosecutors with copies. The key advantage of the civil suit is that it does not require Suharto's testimony in court and should therefore not be affected by his state of health.

¶6. (SBU) Many Indonesian observers are skeptical that the new case will succeed. Since Suharto stepped down in May 1998, much effort has been spent, for political and fiscal reasons, to recover at least a portion of the billions of dollars Suharto, his family and his cronies are said to have misappropriated. Most previous efforts ultimately have been dropped or not fully pushed. These failures have left many Indonesians jaded. That said, the news of the case seems to confirm that President Yudhoyono remains serious in fighting corruption.

HUME